



## 2014 FOURTH QUARTER EARNINGS CONFERENCE CALL



## Forward-Looking Statements

This information and other statements by the company may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to, among other items: projections and estimates of earnings, revenues, margins, volumes, rates, cost-savings, expenses, taxes, liquidity, capital expenditures, dividends, share repurchases or other financial items, statements of management's plans, strategies and objectives for future operations, and management's expectations as to future performance and operations and the time by which objectives will be achieved, statements concerning proposed new services, and statements regarding future economic, industry or market conditions or performance. Forward-looking statements are typically identified by words or phrases such as "will," "should," "believe," "expect," "anticipate," "project," "estimate," "preliminary" and similar expressions. Forward-looking statements speak only as of the date they are made, and the company undertakes no obligation to update or revise any forward-looking statement. If the company updates any forward-looking statement, no inference should be drawn that the company will make additional updates with respect to that statement or any other forward-looking statements.

Forward-looking statements are subject to a number of risks and uncertainties, and actual performance or results could differ materially from that anticipated by any forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by any forward-looking statements include, among others; (i) the company's success in implementing its financial and operational initiatives; (ii) changes in domestic or international economic, political or business conditions, including those affecting the transportation industry (such as the impact of industry competition, conditions, performance and consolidation); (iii) legislative or regulatory changes; (iv) the inherent business risks associated with safety and security; (v) the outcome of claims and litigation involving or affecting the company; (vi) natural events such as severe weather conditions or pandemic health crises; and (vii) the inherent uncertainty associated with projecting economic and business conditions.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the company's SEC reports, accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and the company's website at [www.csx.com](http://www.csx.com).

## Executive Summary

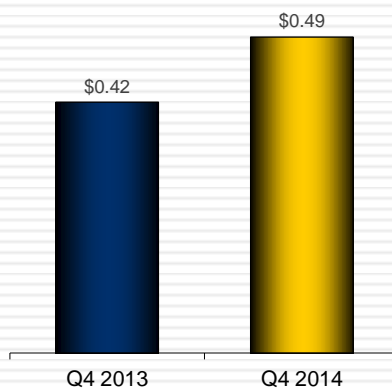
Michael Ward  
Chairman, President and  
Chief Executive Officer

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## Fourth quarter performance . . .

Volume 1,763K    Revenue \$3,192M    Operating Income \$901M    Operating Ratio 71.8%    EPS \$0.49

### Earnings Per Share



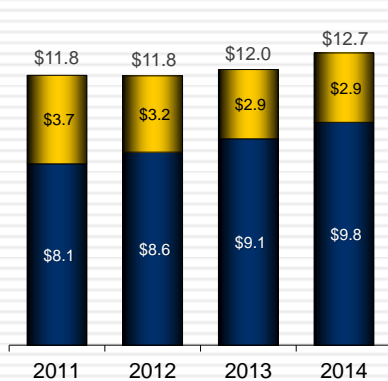
- **Revenue increases 5%**
  - Driven by broad-based strength across nearly all markets
- **Operations support growth**
  - Service enhanced by timely resource additions
- **Record financial results**
  - Operating income increases 11% to \$901 million
  - Operating ratio improves 140 bps to 71.8%

## Full-year performance . . .

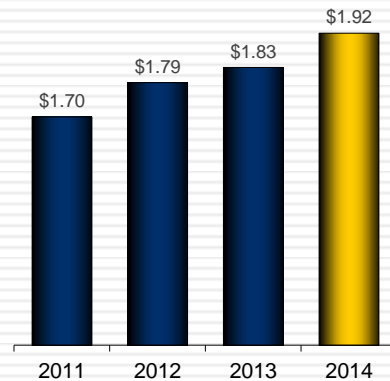
Volume 6,922K    Revenue \$12,669M    Operating Income \$3,613M    Operating Ratio 71.5%    EPS \$1.92

### Revenue in Billions

■ Merchandise, Intermodal and Other    ■ Coal



### Earnings Per Share



## Financial Review

**Fredrik Eliasson**  
Executive Vice President  
Chief Financial Officer

## Fourth quarter earnings summary . . .

| Fourth Quarter Results           |               |               |            |
|----------------------------------|---------------|---------------|------------|
| Dollars in millions, except EPS  | 2014          | 2013          | Variance   |
| Revenue                          | \$ 3,192      | \$ 3,032      | 5%         |
| Expense                          | 2,291         | 2,219         | (3%)       |
| <b>Operating Income</b>          | <b>\$ 901</b> | <b>\$ 813</b> | <b>11%</b> |
| Interest Expense                 | (133)         | (139)         |            |
| Other Income (net)               | 7             | --            |            |
| Income Taxes                     | (284)         | (248)         |            |
| <b>Net Earnings</b>              | <b>\$ 491</b> | <b>\$ 426</b> | <b>15%</b> |
| Fully Diluted Shares in Millions | 995           | 1,013         |            |
| Earnings Per Share               | \$ 0.49       | \$ 0.42       | 17%        |

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## First quarter outlook is favorable

| Outlook                     | Markets                  | Drivers   |
|-----------------------------|--------------------------|---|
| Favorable<br>91% of volume  | ■ Agricultural Products  | ■ Record harvest supports strong demand                   |
|                             | ■ Chemicals              | ■ Strength in oil and gas related markets continues       |
|                             | ■ Food & Consumer        | ■ Increase in food and beverage shipments                 |
|                             | ■ Forest Products        | ■ Recovery in residential construction continues          |
|                             | ■ Metals                 | ■ Auto and energy markets support growth                  |
|                             | ■ Minerals               | ■ Continued recovery in construction activity             |
|                             | ■ Waste & Equipment      | ■ Increase in municipal solid waste shipments             |
|                             | ■ Automotive             | ■ Project growth for N.A. vehicle production              |
|                             | ■ Domestic Coal          | ■ New iron-ore facility and fewer weather impacts         |
|                             | ■ Intermodal             | ■ Domestic strength and highway-to-rail conversions       |
| Neutral<br>5% of volume     | ■ Phosphate & Fertilizer | ■ Finished fertilizer offset by short-haul phosphate rock |
| Unfavorable<br>4% of volume | ■ Export Coal            | ■ Continued weakness in global market conditions          |

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## First quarter expense expectations . . .

### Labor and Fringe

- Average headcount expected to increase 4% versus the prior year
- Inflation estimated to be around \$35 million
- Maintenance agreement expected to increase Labor & Fringe \$15 million

### MS&O

- Maintenance agreement expected to decrease MS&O \$15 million
- Driven by inflation and higher volume

### Fuel

- Driven by lower cost per gallon, reflecting the current forward curve, higher volume and fuel efficiency

### Depreciation

- Increase estimated to be around \$10 million versus the prior year

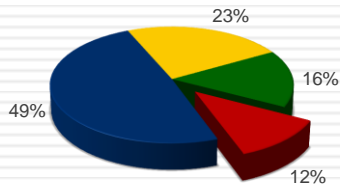
### Equipment and other Rents

- Driven by inflation and higher volume

## Targeting \$2.5 billion of capital investment in 2015

### 2015 Capital Investment \$2.5 billion

■ Infrastructure ■ Equipment ■ Strategic ■ PTC



- Core investment expected to be about 17% of revenue in 2015

- Infrastructure spend targets rail safety and performance
- Locomotive, car investment driven by service and commercial demand
- Strategic investments support growth and productivity

- PTC investment of \$300 million targeted for this year

- Over \$400 million of investment still required beyond 2015

Note: Capital investment excludes investments related to public-private reimbursable projects

## Financial wrap-up . . .

- **Modest earnings growth in 2014 despite headwinds**
  - Strong volume growth offset service challenges and weak coal pricing
  
- **Core earnings improvement more apparent**
  - Broad-based strength across nearly all markets
  
- **Expect double-digit EPS growth in 2015**
  - Profitable growth, pricing above inflation, productivity savings approaching \$200M
  
- **Expect margin expansion to resume in 2015**
  - Continue to target a mid-60s operating ratio longer-term

## Concluding Remarks

**Michael Ward**  
Chairman, President and  
Chief Executive Officer

Relentless pursuit of excellence . . .



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A collage of three images. The top-left image shows a yellow and blue CSX locomotive pulling a train of green CSX containers across a bridge. The top-right image shows a city skyline across a body of water. The bottom-left image shows a woman in a white dress holding a white object. The bottom-right image is a solid yellow square.

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The CSX logo is displayed in white on a blue background, with the tagline "How tomorrow moves" below it and a trademark symbol to the right.